

Richard Cluver Predicts



In our 23rd year of service to the investing public of South Africa

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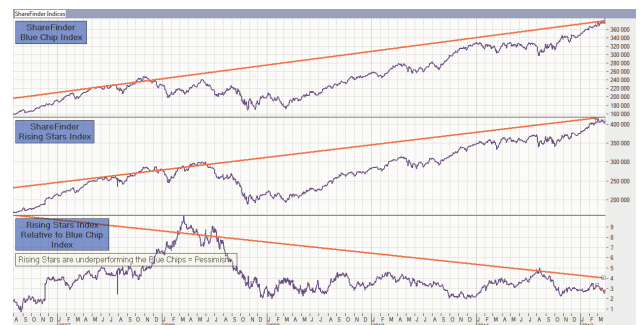
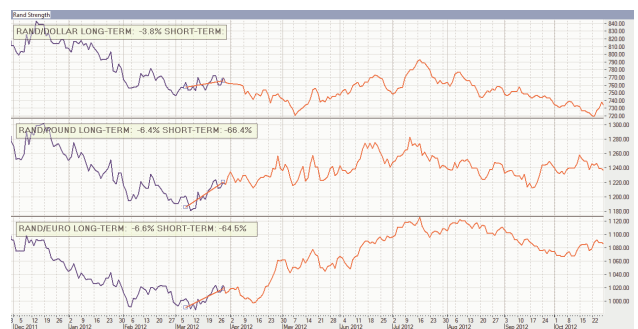
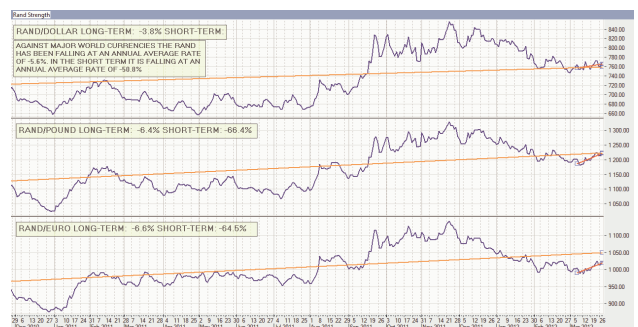
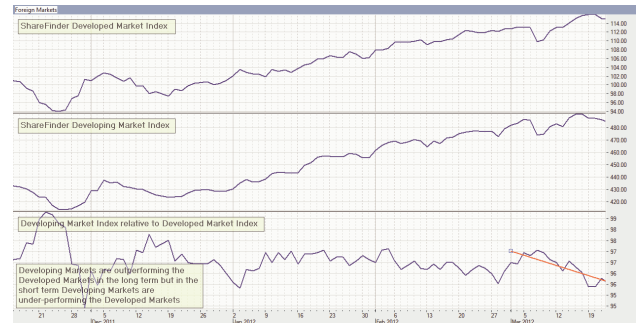
Markets both here and abroad continue to weaken modestly in the inevitable consolidation phase I have long warned readers to expect following their strong gains of the past six months.

Furthermore, the investment markets of developing nations are continuing to weaken to a marginally lesser extent as illustrated by the third graph in the composite on the right:

All this was to be expected. However, it is troubling that over the past week the rate of Rand weakening has been accelerating as illustrated by my second composite. Annualised, this rate of decline suggests that if it continues the Rand could lose half its value in the next 12 months. (Note, a rising graph indicates a weakening trend where the Rand is concerned for we are measuring how many Rands it takes to buy one unit of another world currency; in this case the US Dollar, the British Pound and the Euro against which the Rand is losing respectively 21.4%, 66.4% and 64.5%.)

Trying to project the outlook for currencies has proved notoriously difficult and unreliable in the past, but for those like myself who might be contemplating overseas holidays in the coming months, I thought it might be interesting to view ShareFinder's cyclic projections in respect of these currencies in the third composite on the right. Note that all the projections suggest that the current phase of weakness is likely to continue until mid-July.

All of which brings me to an interesting observation which is observable in my fourth composite. As is to be expected in times when the market is tending towards pessimism, investment grade shares with shorter dividend growth histories (which I collectively label the Rising Stars) are currently declining relative to the Blue Chips. The bold red lines, however emphasise that collectively the former ALWAYS



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underperform the Blue Chips. Collectively over the past decade the Blue Chips have been rising at compound 21.8% while collectively the Rising Stars have been rising at compound 17.3%.

Individually, of course, there are some exciting performers within the Rising Stars like Howden, Nictus, Khumba and Pinnacle which are all growing in price at greater than 30% compound on the back of dividends rising at compound 36% and better. Only Capitec and Shoprite are doing as well or better within the Blue Chips. All of which goes to prove why it is so important to pick and choose the shares in your portfolio and to regularly switch out of those that underperform.

The month ahead:

New York's SP500: I correctly predicted the beginning of weakness which I see lasting until Easter followed by a brief recovery in an overall down month.

London's Footsie: I correctly predicted weakness. Now, contrary to my view last week, I now see this weakness continuing throughout April.

JSE Industrial Index: I correctly predicted a brief up-trend and I expect this to continue notwithstanding a brief mid-month decline.

Top40 Index: I correctly predicted weakness for most of the coming month and continue to hold that view though a brief recovery could occur in the coming week.

ShareFinder Blue Chip Index: I correctly predicted gains which I expect to continue until late in the new month.

The Rand: I correctly predicted a brief gain for the next week but the overall trend suggests a weakening until around April 17.

Golds: I correctly predicted the down-trend would continue and I continue to expect that until at least until April 12.

Bonds: I correctly predicted a brief recovery. Now I expect losses until after Easter followed by a recovery until approximately April 17.

The Predicts accuracy rate on a running average basis over the past 428 weeks has been 80.95%.

Richard Cluver